

AMENDING FURTHER THE ACT ENTITLED "AN ACT TO AUTHORIZE THE CONSTRUCTION OF EXPERIMENTAL SUBMARINES, AND FOR OTHER PURPOSES," APPROVED MAY 16, 1947, AS AMENDED

JUNE 12, 1951.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. SASSCER, from the Committee on Armed Services submitted the following

REPORT

[To accompany H. R. 1227]

The Committee on Armed Services, to whom was referred the bill (H. R. 1227) to amend further the act entitled "An act to authorize the construction of experimental submarines, and for other purposes," approved May 16, 1947, as amended, having considered the same, report favorably thereon with an amendment and recommend that the bill as amended do pass.

The amendment is as follows: On page 1, line 8, strike "\$45,600,000" and substitute "\$50,000,000".

The act of May 16, 1947 (Public Law 63, 80th Cong.) authorized the Navy to undertake the construction of two experimental submarines, but contained a proviso that "the cost of the vessels, the construction of which is authorized by this act, shall not exceed \$30,000,000."

Two years later, this act was amended by the act of August 8, 1949 (Public Law 213, 81st Cong.) to increase the limit of cost from \$30,000,000 to \$41,000,000. The purpose of this bill, H. R. 1227, is to further increase the limit of cost to \$45,600,000 for the two submarines.

Four years ago, the Navy appeared before the Armed Services Committees to request authorization to begin two submarines incorporating the results of our wartime experience and subsequent technological advances. Far more complex than our World War II fleet-type submarines, it was intended that these would be the most advanced submarines ever built.

In estimating the cost of a submarine, including the thousands of component items of electronics, ordnance, and machinery, the accuracy of the result depends as much upon the extent of the design data

available as upon the labor and material cost experience used in making the estimate.

The original cost estimates for these submarines were prepared early in 1947. At that time, the only basic cost data available reflected our 1944-45 construction experience and the 1944-45 scale of wages and prices. Moreover, in early 1947, these submarines were only in the preliminary design stage. Lacking detailed design data and using wartime cost experience, the Department agreed that the \$30,000,000 limitation on the cost of their construction was quite reasonable.

Two years later, however, more detailed design information was available, and the Department had the benefit of more recent shipbuilding cost experience. Furthermore, by 1949, the design had been refined to include changes dictated by our continuing studies of under-sea warfare. The Navy had found it necessary to make design changes in order that the submarines, when completed, would contain the very latest devices, weapons, and equipment.

Two years ago, therefore, the Department estimated that these submarines would not cost in excess of \$41,000,000, and the authorizing act was amended to substitute \$41,000,000 as the new limit of cost. While the Department had every reason to believe that these submarines could be constructed within the \$41,000,000 limitation of cost, the committee was advised at that time that there were "still areas of uncertainty concerning specific details of design and the cost of component materials." Recognizing that the \$41,000,000 might not cover further design changes, the committee advised the then Chief of the Bureau of Ships to return to the Congress and request a higher limitation of cost if subsequent developments should indicate the need to raise the limitation. The purpose of this bill is to raise the limitation.

The \$45,600,000 limitation contained in this bill was based upon an estimate prepared in June 1950, prior to the Korean War. Subsequent inflationary trends have caused an upward revision of this estimate.

The Navy now estimates that the cost of these two submarines will not exceed \$48,130,000. This estimate is based on the following items of increased cost:

- (a) Since 1949, the Navy has made additional design changes costing approximately \$3,270,000.
- (b) The Navy has ordered overtime and shift work on these submarines in order to secure earlier delivery dates. Accelerating their construction has added an additional \$2,140,000 to their cost.
- (c) Since April 1949, it has experienced a 12-percent increase in the cost of shipbuilding materials and a 4.7 percent increase in the cost of shipbuilding labor. This has resulted in an increase in the estimated labor and material cost for these submarines of approximately \$1,520,000.
- (d) Anticipating an approximate 10-percent increase in the cost of materials not yet delivered, another \$200,000 has been added to the estimate of the cost.

The foregoing items of increased cost total \$7,130,000 over the present \$41,000,000 limitation. Since these submarines are scheduled to be

completed within the next 7 or 8 months, it is not believed that the cost will exceed \$48,130,000.

These prototype submarines are urgently needed by the fleet. Their construction should proceed. This cannot be done under the present limitation of cost. For that reason, the Navy asks that the limitation at least be raised to a figure consistent with present cost estimates, or preferably that the limitation be removed entirely.

In this latter regard, it should be pointed out that all of the ships in the Navy shipbuilding and conversion program are subject to a statutory limit of cost contained in the Second Supplemental Appropriation Act of 1951. These submarines are the only two ships in the entire shipbuilding and conversion program of the Navy that have a separate and additional statutory limit of cost. It is the Navy view and the view of the Bureau of the Budget that there should be but one statutory limit of cost applicable to these submarines. Accordingly, the Navy requested that the bill be amended to eliminate the construction cost limitation on these two submarines.

While the committee is satisfied with the Navy explanation as to the increase in construction costs of these two experimental submarines, it does not feel that it would be appropriate to eliminate the construction cost limitation. It is the best opinion of the Navy that the most recent estimate, \$48,130,000, will be sufficient authorization to cover the cost of construction. In view of the uncertainty of current economic conditions, the committee takes cognizance of the possibility that additional increases may still be incurred. Therefore, rather than continually revise the authorization upward, in a succession of legislative measures, the committee has amended the bill to provide a total authorization of \$50 million, upon the assurance of the Navy that this sum will be adequate for the purposes requested.

The proposed legislation is a part of the Department of Defense legislative program for 1951 and has been approved by the Bureau of the Budget. The Department of Defense recommends that it be enacted as is evidenced by the letter of the Assistant Secretary of Defense which is hereto attached and made a part of this report.

ASSISTANT SECRETARY OF DEFENSE,
Washington, D. C., January 5, 1951.

HON. SAM RAYBURN,
Speaker of the House of Representatives.

DEAR MR. SPEAKER: There is forwarded herewith a draft of legislation to amend further the act entitled "An act to authorize the construction of experimental submarines, and for other purposes," approved May 16, 1947, as amended.

This proposal is a part of the Department of Defense legislative program for 1951 and it has been approved by the Bureau of the Budget. The Department of Defense recommends that it be enacted by the Congress.

Purpose of this legislation.—This proposed legislation would raise the cost limitation with respect to two experimental submarines under construction by the Department of the Navy, as authorized by the act of May 16, 1947 (61 Stat. 96, ch. 69), as amended (34 U. S. C. 489), from \$41,000,000 to \$45,600,000. The authorization act originally provided a cost ceiling of \$30,000,000. The act of August 9, 1949 (63 Stat. 577, ch. 405), raised that ceiling from \$30,000,000 to \$41,000,000 to cover the cost of certain refinements of design and substantial rises in the cost of labor and materials. That increase was based on estimates made at the time. However, there were additional areas of uncertainty concerning specific details of design and the cost of component materials. The increased estimate of cost at this time is based upon further refinements of design which

could not be accurately foreseen at the time of the last estimate, and upon the fact that new type components have been incorporated in the experimental submarines.

Legislative references.—The last increase in the cost limitation on these experimental submarines was effected by the act of August 8, 1949 (63 Stat. 577, ch. 405), which increased that limitation from \$30,000,000 to \$41,000,000.

Cost and budget data.—The additional cost to the Government by reason of the enactment of this proposed legislation would be approximately \$4,600,000.

Department of Defense action agency.—The Department of the Navy has been designated as the representative of the Department of Defense for this legislation.

Sincerely yours,

MARX LEVA.

In compliance with clause 2a of rule XIII of the Rules of the House of Representatives, there is herewith printed in parallel columns the text of provisions of existing laws which would be repealed or amended by the various provisions of the bill.

ACT OF AUGUST 8, 1949, PUBLIC LAW 213, 81ST CONGRESS

EXISTING LAW

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, * * **
 “\$41,000,000.”

THE BILL

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the proviso contained in the Act entitled “An Act to authorize the construction of experimental submarines, and for other purposes,” approved May 16, 1947 (61 Stat. 96, ch. 69), as amended by the Act of August 8, 1949 (63 Stat. 577, chap. 405), is further amended by deleting “\$41,000,000” and inserting in lieu thereof “\$50,000,000”.

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